

# City of Detroit

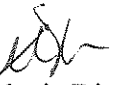
## CITY COUNCIL


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TO: The Honorable Budget, Finance & Audit Standing Committee  
Council Member Kenneth V. Cockrel, Jr., Chair

FROM: David Whitaker   
Research & Analysis Division Staff

Irvin Corley, Jr.   
Fiscal Analysis Division Staff

DATE: April 28, 2010

RE: **PETITION OF USSF'S SENIOR CITIZENS TASKFORCE (#148)  
REQUESTING A PUBLIC HEARING RELATIVE TO CONCERNS OF  
THE SENIOR AND DISABLED COMMUNITIES**

The Research & Analysis Division (RAD) and Fiscal Analysis Division (Fiscal) were requested to research and report on the legality, as well as the practicality, of exempting an entire class of persons (senior citizens) from payment of property taxes. Based on the research, the City is unable to exempt an entire class of persons from payment of property taxes via local ordinance in the absence of a statutory exemption. The fiscal impact of such an exemption could potentially cost the City \$15.6 million to \$18.4 million annually.

Article 9, of the Michigan Constitution mandates uniform taxation (including property taxation) and limits the amount/rate of taxes that can be imposed annually (Sections 3 and 6). The General Property Tax Act (MCL 211.1 *et seq.*) is the state law that governs taxable status and specifies available tax exemptions.<sup>1</sup> If not expressly exempted, the property is subject to taxation. Examples of exempted classes of real property are: cemeteries/burial grounds, owned by eligible non-profits, schools, state or municipal facilities. MCL 211.7d provides a housing exemption for elderly or disabled families. However, the housing must be owned and operated by a non-profit corporation, by a limited divided housing corporation,<sup>2</sup> the state, a political subdivision, or instrumentality of the state, to qualify for the exemption. Privately owned residences would not be captured by this exemption.

<sup>1</sup> The real estate exemptions allowable under current Michigan law are set forth in MCL 211.2 to 211.7nn.

<sup>2</sup> Incorporated under Chapters 6 or 7 of the State Housing Development Authority Act that will rehabilitate and own a facility previously qualified for, built, or financed under state or federal affordable housing laws. These corporations must exclusively provide housing to individuals with low- to moderate income.

Other options available to eligible senior citizens:

- Abate their property taxes in full or in part through the poverty exemption.<sup>3</sup> This exemption is handled through the City's Assessor's Office by the Board of Review.
- Participate in the summer tax deferment program. This defers payment of summer taxes until the winter tax bill is issued. Applications are available at Neighborhood City Halls from July 1<sup>st</sup> to September 15<sup>th</sup>.
- Apply for solid waste discount program. Seniors at least 65 years of age that own their own home may be eligible for the discounted solid waste fee of \$120.00. Applications are available at Neighborhood City Halls beginning on July 1<sup>st</sup>.

As RAD was asked to look into the legality of exempting all of Detroit's seniors from paying property taxes, Fiscal was asked to report on the possible fiscal impact of such an endeavor. Currently, the City of Detroit has 17,740 residential properties owned by senior citizens.

As noted above, the City of Detroit has policies in place to address senior homeowners. The Solid Waste Fee, a \$240 annual fee to homeowners, is abated 50% for seniors at \$120. This program provides an overall savings to senior homeowners (\$120) and an annual cost to the City of \$2.128 million. This figure does not include the 3,759 hardship cases, granted a full exemption by the Board of Review, which includes a total of \$902,160. The number of seniors included in this figure is not clear.

As stated earlier, potentially, the fiscal impact of granting a property tax exemption could cost the City \$15.6 million to \$18.4 million annually. Given the fact that the City has 17,740 residences owned by seniors, we based our estimate on a projected average taxable value range of \$20,000 to \$25,000 at a rate of 32 mills, gives us a range of \$11.35 million to \$14.19 million. In addition, a full exemption would also exempt the seniors from the City's \$240 solid Waste Fee at another 44.257 million, thereby raising the amount of abated taxes and fees to a range of \$15.6 million to \$18.4 million annually.

As detailed earlier, prescribed alternatives exist to provide fiscal relief to seniors that need it. As Council may know, there are several seniors in our city that financially well-to-do, and have the ability to pay some of the highest residential tax bills, through business ownership, high paying jobs, or via multiple pensions, etc.

## **CONCLUSION**

Based on the aforementioned Michigan Constitutional provision and relevant state law, the responsibility of establishing the guidelines for local property tax assessments as well as exemptions is exclusively a state function, as all taxing authority flows from the State of Michigan. Therefore, the City of Detroit cannot create an ordinance to exempt senior citizens from paying property taxes because the state preempts this area of law.

Furthermore, it is our conclusion that granting Detroit's senior homeowners fiscal relief, though a laudable goal in theory, may not be the best course, considering that not all of our seniors need

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<sup>3</sup> MCL 211.7u.

it. Also, it is our opinion that the relief options outlined above, including the Board of Review process, provide senior homeowners in need sustainable avenues of financial relief. Finally, the City of Detroit can ill afford a potential loss of \$15.6 million to \$18.4 million in property tax revenue annually at this time. Considering all of the factors, including the fact that only one fourth of Detroit's property is not exempt or abated, Detroit needs to maintain its sustainable tax base. We therefore conclude that the Council guide senior homeowners to the available measures of fiscal relief and not promote a broad range exemption for senior homeowners, which is impermissible.